

ADDISON FIRE BOARD

AUDIT REPORT

MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name ADDISON FIRE BOARD | County LENAWEE |
| Audit Date 3/31/05 | Opinion Date 9/28/05 | Date Accountant Report Submitted to State: 12/5/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

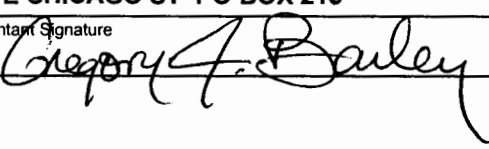
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|---------------------------|--------------------|------------------------|
| Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC | | | |
| Street Address 479 E CHICAGO ST PO BOX 215 | City JONESVILLE | State MI | ZIP 49250 |
| Accountant Signature  | | | Date 12/5/05 |

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Addison Fire Board
Addison, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Addison Fire Board as of and for the year ended March 31, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Addison Fire Board's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Addison Fire Board as of March 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary information comparison information on pages 2 through 5 and 21 through 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, P.C.
Jonesville, Michigan
September 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Addison Fire Board's financial report presents our discussion and analysis of the Board's financial performance during the fiscal year ended March 31, 2005. It is best read in conjunction with the Board's financial statements that follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Addison Fire Board financially as a whole. The *government-wide financial statements* provide information about the activities of the entire Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. The *fund financial statements* provide the next level of detail by telling how services were financed in the short-term as well as what remains for future spending.

Reporting the Board as a Whole

One of the most important questions asked about the Board is "As a whole, what is the Board's financial condition as a result of the year's activities?" The Statement of Net assets and the Statement of Activities, which appear first in the Board's financial statements, report information on the Board as a whole and its activities in a way that helps you answer this question. We prepared these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

These two statements report the Board's *net assets* - - the difference between assets and liabilities, as reported in the Statement of Net Assets - - as one way to measure the Board's financial health, or *financial position*. Over time, increases or decreases in the Board's net assets - - as reported in the Statement of Activities - - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Board's operating results. However, the Board's goal is to provide services to the public, not to generate profits as commercial entities do. One must consider many other nonfinancial factors to assess the overall health of the Board.

Reporting the Board's Most Significant Funds

The Board's fund financial statements provide detailed information about the Board's most significant funds - - not the Board as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental fund reporting focuses on showing how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Board's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation.

ADDISON FIRE BOARD

Management's Discussion and Analysis March 31, 2005

The Board as a Whole

The following table provides a summary of the Board's net assets at March 31, 2005:

| <u>TABLE 1 - NET ASSETS</u> | <u>Governmental Activities</u> |
|--|--------------------------------|
| Assets | |
| Current Assets | \$ 526,975 |
| Noncurrent Assets | <u>1,849,360</u> |
| Total Assets | <u>\$ 2,376,335</u> |
| Liabilities | |
| Current Liabilities | \$ 68,462 |
| Noncurrent Liabilities | <u>113,206</u> |
| Total Liabilities | <u>\$ 181,668</u> |
| Net Assets | |
| Invested in Capital Assets - Net of Related Debt | \$ 1,698,927 |
| Restricted | 0 |
| Unrestricted | <u>495,740</u> |
| Total Net Assets | <u>\$ 2,194,667</u> |
| Total Liabilities and Net Assets | <u>\$ 2,376,335</u> |

The Board's net assets were \$2,194,667 at March 31, 2005. Invested in capital assets, net of related debt totaling \$1,698,927 compares the original cost, less depreciation, of the Board's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets (if any) are reported separately to show legal constraints from debt covenants or enabling legislation that limit the Board's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$495,740) was unrestricted. The \$495,740 represents the *accumulated* results of all past year's operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Board as a whole are summarized in the following table:

| <u>TABLE 2 - CHANGES IN NET ASSETS</u> | <u>Governmental Activities</u> |
|--|--------------------------------|
| Program Revenue | |
| Charges for Services | \$ 647,246 |
| Capital Grants and Contributions | 280,351 |
| General Revenue | |
| Unrestricted Investment Earnings | 1,971 |
| Other | <u>11,272</u> |
| Total Revenue | <u>\$ 940,840</u> |

ADDISON FIRE BOARD

Management's Discussion and Analysis March 31, 2005

| | |
|----------------------------------|-------------------|
| Expenses | |
| Public Safety - Fire & Ambulance | \$ 684,682 |
| Interest on Long-Term Debt | <u>5,762</u> |
| Total Expenses | <u>\$ 690,444</u> |
| INCREASE IN NET ASSETS | <u>\$ 250,396</u> |

The cost of all our governmental activities this year was \$690,444. These activities were mostly funded by the municipalities who benefited from the programs (\$647,246) or by other governments and individuals that subsidized certain programs with grants and contributions (\$280,351). We paid for the remaining portion of our governmental activities with interest earnings and other miscellaneous revenue.

The Board experienced an increase in net assets of \$250,396. The main reason for this increase was expenditures for the completion of the new fire station (\$335,118) and the purchase of new air paks (\$132,010), which are capitalized as assets on the government-wide financial statements. The increase in net assets differs from the change in fund balance, and a reconciliation appears on page 12 of the financial statements.

The Board's Funds

As we noted earlier, the Board uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Board is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Board's overall financial health. At March 31, 2005, the governmental funds reported a fund balance of \$503,180, which is a decrease of \$161,507 from last year. The primary reason for the decrease was also the expenditures for the completion of the new fire station and the purchase of new air paks, which are recorded as expenditures in the fund financial statements.

General Fund Budgetary Highlights

At the end of the year, the Board amends its budget as it attempts to deal with changes in revenue and expenditures. State law required that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Board's original and final budget amounts compared with amounts actually received and paid is provided in the required supplemental information on pages 21 - 23 of the financial statements

Capital Asset and Debt Administration

At March 31, 2005, the Board had \$1,849,360 invested in capital assets that include land, buildings, vehicles, and equipment. This amounts represents a net increase (including additions and disposals) of \$376,171. Capital assets at year-end were as follows:

| | <u>2004</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Land | \$ 22,450 | \$ 22,450 |
| Buildings and Improvements | 398,149 | 733,267 |
| Furniture and Equipment | 166,374 | 310,494 |
| Vehicles | 1,382,848 | 1,382,848 |
| Less: Accumulated Depreciation | <u>(496,632)</u> | <u>(599,699)</u> |
| Total Capital Assets, net of depreciation | <u>\$ 1,473,189</u> | <u>\$ 1,849,360</u> |

ADDISON FIRE BOARD

Management's Discussion and Analysis
March 31, 2005

Capital Asset and Debt Administration (continued)

At March 31, 2005, the Board had an outstanding note payable of \$150,433 from the purchase of a fire truck in the 2003-04 fiscal year and compensated absences payable of \$7,440.

Factors Bearing on the Board's Future

The cost of the new station and manpower to operate it will need to be offset with added revenue over the next few years. We have applied for a FEMA grant to help improve staffing levels, which, if approved, would add an additional \$30,000 in revenue.

During the 2005-06 year, we will be purchasing a new 2006 Horton Ambulance at a cost of approximately \$123,000 to help improve services to the residents.

Contacting the Board's Management

This report is designed to give an overview of the financial conditions of the Addison Fire Board. If you have any questions about this report or need further information, please contact the Fire Chief at 319 E. Main Street, Addison, MI 49220, telephone (517) 547-6776 or (517) 937-7940.

BASIC FINANCIAL STATEMENTS

ADDISON FIRE BOARD
STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS

Current Assets

| | |
|--------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 348,598 |
| Accounts Receivable: | |
| Municipal Ambulance Agreements | 136,323 |
| Ambulance Fees | <u>42,054</u> |
| Total Current Assets | <u>\$ 526,975</u> |

Noncurrent Assets

Capital Assets:

| | |
|--------------------------------|------------------|
| Land | \$ 22,450 |
| Buildings and Improvements | 733,267 |
| Furniture and Equipment | 310,494 |
| Vehicles | 1,382,848 |
| Less: Accumulated Depreciation | <u>(599,699)</u> |

 Total Noncurrent Assets \$ 1,849,360

 Total Assets \$ 2,376,335

LIABILITIES

Current Liabilities

| | |
|-----------------------------------|---------------|
| Accounts Payable | \$ 11,148 |
| Accrued Payroll | 11,823 |
| Accrued Payroll Taxes | 824 |
| Current Portion of Long-Term Debt | <u>44,667</u> |

 Total Current Liabilities \$ 68,462

Noncurrent Liabilities

| | |
|------------------------------------|--------------|
| Notes Payable less Current Portion | \$ 105,766 |
| Compensated Absences | <u>7,440</u> |

 Total Noncurrent Liabilities \$ 113,206

 Total Liabilities \$ 181,668

NET ASSETS

| | |
|---|----------------|
| Invested in Capital Assets, Net of Related Debt | \$ 1,698,927 |
| Unrestricted | <u>495,740</u> |

 Total Net Assets \$ 2,194,667

 Total Liabilities and Net Assets \$ 2,376,335

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue |
|----------------------------------|-------------------|-------------------------|--|--|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| Public Safety-Fire & Ambulance | \$ 684,682 | \$ 647,246 | \$ 0 | \$ 280,351 | \$ 242,915 |
| Interest on Long-Term Debt | <u>5,762</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(5,762)</u> |
| Total Governmental Activities | \$ <u>690,444</u> | \$ <u>647,246</u> | \$ <u>0</u> | \$ <u>280,351</u> | \$ <u>237,153</u> |
| | | | | | |
| General Revenues: | | | | | |
| Unrestricted Investment Earnings | | | | | \$ 1,971 |
| Other | | | | | <u>11,272</u> |
| Total General Revenues | | | | | \$ <u>13,243</u> |
| CHANGE IN NET ASSETS | | | | | \$ 250,396 |
| NET ASSETS - Beginning | | | | | <u>1,944,271</u> |
| NET ASSETS - Ending | | | | | <u><u>\$ 2,194,667</u></u> |

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 348,598 | \$ 0 | \$ 348,598 |
| Accounts Receivable: | | | |
| Municipal Ambulance Agreements | 136,323 | 0 | 136,323 |
| Ambulance Fees | <u>42,054</u> | <u>0</u> | <u>42,054</u> |
| Total Assets | <u>\$ 526,975</u> | <u>\$ 0</u> | <u>\$ 526,975</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts Payable | \$ 11,148 | \$ 0 | \$ 11,148 |
| Accrued Payroll | 11,823 | 0 | 11,823 |
| Accrued Payroll Taxes | <u>824</u> | <u>0</u> | <u>824</u> |
| Total Liabilities | <u>\$ 23,795</u> | <u>\$ 0</u> | <u>\$ 23,795</u> |
| Fund Balances | | | |
| Unreserved and Undesignated | <u>\$ 503,180</u> | <u>\$ 0</u> | <u>\$ 503,180</u> |
| Total Liabilities and Fund Balances | <u>\$ 526,975</u> | <u>\$ 0</u> | <u>\$ 526,975</u> |

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD
Reconciliation of Fund Balance on the Balance Sheet for Governmental Funds to
Net Assets of Governmental Activities on the Statement of Net Assets
March 31, 2005

| | |
|---|---------------------|
| Fund Balances - Total Governmental Funds | \$ 503,180 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add: Capital Assets | 2,449,059 |
| Deduct: Accumulated Depreciation | (599,699) |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| Deduct: Notes payable | (150,433) |
| Deduct: Compensated Absences | <u>(7,440)</u> |
| Net Assets - Governmental Activities | <u>\$ 2,194,667</u> |

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------|-------------------|--------------------------------|--------------------------------|
| REVENUE | | | |
| Fire: | | | |
| Municipal Fire Agreements: | | | |
| Village of Addison | \$ 19,970 | \$ 0 | \$ 19,970 |
| Township of Rollin | 64,848 | 0 | 64,848 |
| Township of Wheatland | 23,561 | 0 | 23,561 |
| Township of Woodstock | 91,221 | 0 | 91,221 |
| Village of Cement City | 3,500 | 0 | 3,500 |
| Interest | 417 | 0 | 417 |
| Miscellaneous | 720 | 0 | 720 |
| Donations - New Station | 106,178 | 0 | 106,178 |
| FEMA Grant | <u>174,173</u> | <u>0</u> | <u>174,173</u> |
| Total Fire Revenue | <u>\$ 484,588</u> | <u>\$ 0</u> | <u>\$ 484,588</u> |
| Ambulance: | | | |
| Municipal Ambulance Agreements | \$ 277,934 | \$ 0 | \$ 277,934 |
| Ambulance Fees | 165,967 | 0 | 165,967 |
| Interest | 1,554 | 0 | 1,554 |
| Miscellaneous | 10,552 | 0 | 10,552 |
| Bad Debt Recovery | <u>245</u> | <u>0</u> | <u>245</u> |
| Total Ambulance Revenue | <u>\$ 456,252</u> | <u>\$ 0</u> | <u>\$ 456,252</u> |
| Total Revenue | <u>\$ 940,840</u> | <u>\$ 0</u> | <u>\$ 940,840</u> |
| EXPENDITURES | | | |
| Fire: | | | |
| Wages | \$ 66,411 | \$ 0 | \$ 66,411 |
| Payroll taxes | 5,268 | 0 | 5,268 |
| Retirement | 3,895 | 0 | 3,895 |
| Contract labor | 2,927 | 0 | 2,927 |
| Operating supplies | 1,927 | 0 | 1,927 |
| Office supplies | 3,605 | 0 | 3,605 |
| Vehicle expense | 5,051 | 0 | 5,051 |
| Rent and utilities | 18,466 | 0 | 18,466 |
| Equipment maintenance | 7,176 | 0 | 7,176 |
| Insurance | 19,294 | 0 | 19,294 |
| New station | 335,118 | 0 | 335,118 |
| Major equipment | 199,161 | 0 | 199,161 |
| Minor equipment | 2,003 | 0 | 2,003 |
| Training | 3,748 | 0 | 3,748 |
| Professional fees | 525 | 0 | 525 |
| Miscellaneous | <u>4,137</u> | <u>0</u> | <u>4,137</u> |
| Total fire expenditures | <u>\$ 678,712</u> | <u>\$ 0</u> | <u>\$ 678,712</u> |

ADDISON FIRE BOARD
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

(continued)

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------|--------------------------------|--------------------------------|
| Ambulance: | | | |
| Wages | \$ 261,176 | \$ 0 | \$ 261,176 |
| Payroll taxes | 20,026 | 0 | 20,026 |
| Retirement | 11,584 | 0 | 11,584 |
| Contract labor | 11,708 | 0 | 11,708 |
| Operating supplies | 3,173 | 0 | 3,173 |
| Office supplies | 3,686 | 0 | 3,686 |
| Vehicle expense | 5,863 | 0 | 5,863 |
| Billing service | 5,236 | 0 | 5,236 |
| Rent and utilities | 14,983 | 0 | 14,983 |
| Equipment maintenance | 8,025 | 0 | 8,025 |
| Insurance | 23,427 | 0 | 23,427 |
| Minor equipment | 598 | 0 | 598 |
| Training | 640 | 0 | 640 |
| Professional fees | 525 | 0 | 525 |
| Uniforms | 1,302 | 0 | 1,302 |
| Miscellaneous | <u>2,749</u> | <u>0</u> | <u>2,749</u> |
| Total ambulance expenditures | <u>\$ 374,701</u> | <u>\$ 0</u> | <u>\$ 374,701</u> |
| Total expenditures | <u>\$ 1,053,413</u> | <u>\$ 0</u> | <u>\$ 1,053,413</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>\$ (112,573)</u> | <u>\$ 0</u> | <u>\$ (112,573)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Payments on Fire Truck Loan | <u>\$ (48,934)</u> | <u>\$ 0</u> | <u>\$ (48,934)</u> |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (161,507)</u> | <u>\$ 0</u> | <u>\$ (161,507)</u> |
| FUND BALANCES - APRIL 1, 2004 | <u>664,687</u> | <u>0</u> | <u>664,687</u> |
| FUND BALANCES - MARCH 31, 2005 | <u><u>\$ 503,180</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 503,180</u></u> |

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2005

Net Changes in Fund Balance - Total Governmental Funds \$ (161,507)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlay 479,238

Deduct: Depreciation Expense (103,067)

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities. 43,172

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: Increase in accrual for compensated absences (7,440)

Change in Net Assets - Governmental Activities \$ 250,396

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Addison Fire Board was formed by municipalities in the Addison, Michigan area to provide fire protection and ambulance services. It is governed by a board made up of representatives from each of the municipalities.

The accounting policies of Addison Fire Board conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
Financial statements prepared using full accrual accounting for all of the Board's activities, including fixed assets (buildings, equipment, vehicles, etc.)
- A change in the fund financial statements to focus on major funds.

The Board has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by Addison Fire Board:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Addison Fire Board consists of all funds, departments, boards and agencies that are not legally separate from the Board.

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt, or the levying of taxes. The Board has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

of a particular program. Unrestricted investment income, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements - Fund financial statements report detailed information about the Board. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Municipal ambulance agreements are recognized as revenue in the year for which the related property taxes are levied by the participating townships. Municipal fire agreements and ambulance fees are recorded as revenue when they are invoiced. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, municipal ambulance and fire agreements, ambulance fees, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants received before the eligibility requirements are met are recorded as deferred revenue.

Financial Statement Presentation

The Board uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Board functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Board reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of \$2,500. The Board does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Buildings & Improvements | 50 years |
| Furniture & Equipment | 5 - 15 years |
| Vehicles | 10 - 25 years |

Compensated Absences - It is the Board's policy to permit management employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Board at the line-item level. Any budgetary modifications may only be made by resolution of the Board. All annual appropriations lapse at fiscal year end.

During the year, the Board incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

| <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------|---------------|---------------|-----------------|
| Fire - Retirement | \$ 3,700 | \$ 3,895 | \$ 195 |
| Fire - Office Supplies | 3,550 | 3,605 | 55 |
| Fire - Equipment Maintenance | 6,950 | 7,176 | 226 |
| Fire - Major Equipment | 177,673 | 199,161 | 21,488 |
| Fire - Training | 3,600 | 3,748 | 148 |
| Fire - Miscellaneous | 3,250 | 4,137 | 887 |
| Ambulance - Contract Labor | 11,550 | 11,708 | 158 |

NOTE 3 - DEPOSITS AND INVESTMENTS

Following are the components of the Fire Board's bank deposits at March 31, 2005:

| | |
|-------------------------|-------------------|
| Checking Account | \$ 12,513 |
| Savings Account | 325,479 |
| Certificates of Deposit | <u>10,606</u> |
| | <u>\$ 348,598</u> |

Protection of the Board's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2005, the carrying amount of the Board's bank deposits was \$348,598 and the bank's balance was \$363,914. Of the total bank balance, \$192,070 was covered by federal depository insurance and \$171,844 was uninsured.

Michigan Compiled Laws, Section 129.91, authorizes the Board to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2005, the Board's deposits are in accordance with statutory authority.

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 - RECEIVABLES

Receivables at March 31, 2005, consist of municipal ambulance agreements and ambulance fees. Municipal ambulance agreements are considered collectible in full due to the collectibility of the related property taxes. Ambulance fees receivable are shown as net of estimated uncollectible amounts.

A summary of the principal items of receivables follows:

| | |
|--------------------------------|-------------------|
| Municipal Ambulance Agreements | \$ 136,323 |
| Ambulance Fees | <u>42,054</u> |
| | <u>\$ 178,377</u> |

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 22,450 | \$ 0 | \$ 0 | \$ 22,450 |
| Construction in Progress | <u>398,149</u> | <u>335,118</u> | <u>(733,267)</u> | <u>0</u> |
| Total Capital Assets not being Depreciated | <u>\$ 420,599</u> | <u>\$ 335,118</u> | <u>\$ (733,267)</u> | <u>\$ 22,450</u> |
| Capital assets being depreciated | | | | |
| Buildings & Improvements | \$ 0 | \$ 733,267 | \$ 0 | \$ 733,267 |
| Furniture & Equipment | 166,374 | 144,120 | 0 | 310,494 |
| Vehicles | <u>1,382,848</u> | <u>0</u> | <u>0</u> | <u>1,382,848</u> |
| Subtotal | <u>\$ 1,549,222</u> | <u>\$ 877,387</u> | <u>\$ 0</u> | <u>\$ 2,426,609</u> |
| Less accumulated depreciation for | | | | |
| Buildings & Improvements | \$ 0 | \$ (14,665) | \$ 0 | \$ (14,665) |
| Furniture & Equipment | (432,938) | (63,632) | 0 | (496,570) |
| Vehicles | <u>(63,694)</u> | <u>(24,770)</u> | <u>0</u> | <u>(88,464)</u> |
| Subtotal | <u>\$ (496,632)</u> | <u>\$ (103,067)</u> | <u>\$ 0</u> | <u>\$ (599,699)</u> |
| Total capital assets being depreciated, net | <u>\$ 1,052,590</u> | <u>\$ 774,320</u> | <u>\$ 0</u> | <u>\$ 1,826,910</u> |
| Total capital assets, net | <u>\$ 1,473,189</u> | <u>\$ 1,109,438</u> | <u>\$ (733,267)</u> | <u>\$ 1,849,360</u> |

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 6 - LONG-TERM DEBT

The Board purchased a 2003 Pierce Fire Truck on June 27, 2003 for \$370,420. The truck was partially financed through \$225,000 note with United Bank & Trust. The note requires quarterly payments of \$12,233.50 including interest at 3.0% through July 1, 2008. The fire truck serves as collateral for the loan.

The amounts needed to retire long-term debt at March 31, 2005, including \$8,525 interest, are as follows:

| | | |
|----------------------|-------|-------------------|
| Year ended March 31, | 2006 | \$ 48,934 |
| | 2007 | 48,934 |
| | 2008 | 48,934 |
| | 2009 | <u>12,156</u> |
| | Total | <u>\$ 158,958</u> |

NOTE 7 - MUNICIPAL FIRE AND AMBULANCE AGREEMENTS

Addison Fire Board provides fire service and ambulance service to five local municipalities. The fire service agreement calls for cost sharing to be billed quarterly, based on a percentage of annual budgeted expenditures. The percentage is determined by the average number of fire alarms within each municipalities during the previous three years. The percentages used for the 2004-05 fiscal year were as follows:

| | |
|------------------------|-------------------|
| Woodstock Township | 45% |
| Rollin Township | 32% |
| Wheatland Township | 13% |
| Village of Addison | 10% |
| Village of Cement City | \$3,500 flat rate |

For ambulance services, a millage of 1.0 mill (subject to Headlee rollback limitations) is levied in each of the three townships, voted specifically for provision of ambulance services by the Addison Fire Board. This revenue is recorded in an amount equal to the total taxes levied, which was \$265,209 for tax year 2004. The Fire Board also receives a portion of a .25 mill ambulance levy in Hillsdale County, allocated by the Hillsdale County Commissioners (\$12,725 for the year).

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Fire Board participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan, 48917, or by calling (800) 767-6377.

**ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Funding Policy

The Fire Board is required to contribute at an actuarially determined rate designed to accumulate sufficient assets to pay benefits when due. The current requirement is 10% of covered wages. The contribution requirements of the Fire Board are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Fire Board.

Annual Pension Cost

For the year ended March 31, 2005, the Fire Board's pension cost was \$15,479. The required contribution was determined as part of a December 31, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases based on an age-related scale to reflect merit, longevity and promotions. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Fire Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

Three-Year Trend Information

This information is not available since 2003-04 was the initial year of the Plan.

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Normal Cost | Assets in Excess of AAL | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|-------------------------------|-----------------|--------------------|--|
| 9/1/03 | \$ 0 | \$ 18,702 | (\$ 18,702) | 0% | \$ 104,000 | 18% |
| 12/31/04 | \$ 13,272 | \$ 14,584 | (\$ 1,312) | 91% | \$ 119,812 | 1% |

NOTE 9 - RISK MANAGEMENT

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The Fire Board has purchased commercial insurance for each of these areas as risk. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10 - UNEMPLOYMENT TAXES

The Fire Board is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 11 - COMMITMENTS

At its April, 2005, meeting, the Board approved ordering a new ambulance at a cost of approximately \$123,000.

ADDISON FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 12 - RESTATEMENTS

As of and for the year ended March 31, 2005, the Board implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended March 31, 2005, the following restatements were made to the beginning fund balance and net asset accounts:

| | |
|--|---------------------|
| Fund Balances of Governmental Funds as of March 31, 2004 | \$ 664,687 |
| Add: governmental capital assets, including land and buildings as of March 31, 2004 | 1,969,821 |
| Deduct: accumulated depreciation as of March 31, 2004, on the above capital assets | (496,632) |
| Deduct: notes payable as of March 31, 2004 | <u>(193,605)</u> |
| Governmental net assets, restated, as of March 31, 2004 | <u>\$ 1,944,271</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**ADDISON FIRE BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Actual Over (Under) Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|---------------------|--|
| Beginning of Year Fund Balance | \$ 664,687 | \$ 664,687 | \$ 664,687 | \$ 0 |
| Resources (Inflows) | | | | |
| Fire: | | | | |
| Municipal Fire Agreements: | | | | |
| Village of Addison | 19,970 | 19,970 | 19,970 | 0 |
| Township of Rollin | 64,848 | 64,848 | 64,848 | 0 |
| Township of Wheatland | 23,561 | 23,561 | 23,561 | 0 |
| Township of Woodstock | 91,221 | 91,221 | 91,221 | 0 |
| Village of Cement City | 3,500 | 3,500 | 3,500 | 0 |
| Interest | 750 | 750 | 417 | (333) |
| Miscellaneous | 2,000 | 2,000 | 720 | (1,280) |
| Donations - New Station | 0 | 0 | 106,178 | 106,178 |
| FEMA Grant | 0 | 0 | 174,173 | 174,173 |
| Ambulance: | | | | |
| Municipal Ambulance Agreements | 266,880 | 266,880 | 277,934 | 11,054 |
| Ambulance Fees | 80,000 | 80,000 | 165,967 | 85,967 |
| Interest | 3,500 | 3,500 | 1,554 | (1,946) |
| Miscellaneous | 7,500 | 7,500 | 10,552 | 3,052 |
| Bad Debt Recovery | <u>500</u> | <u>500</u> | <u>245</u> | <u>(255)</u> |
| Amounts Available for Appropriation | <u>\$ 1,228,917</u> | <u>\$ 1,228,917</u> | <u>\$ 1,605,527</u> | <u>\$ 376,610</u> |
| Charges to Appropriations (Outflows) | | | | |
| Fire: | | | | |
| Wages | \$ 72,800 | \$ 69,000 | \$ 66,411 | \$ (2,589) |
| Payroll Taxes | 4,700 | 5,400 | 5,268 | (132) |
| Retirement | 3,900 | 3,700 | 3,895 | 195 |
| Contract Labor | 2,500 | 3,200 | 2,927 | (273) |
| Operating Supplies | 4,500 | 2,000 | 1,927 | (73) |
| Office Supplies | 2,800 | 3,550 | 3,605 | 55 |
| Vehicle Expense | 4,000 | 5,075 | 5,051 | (24) |
| Rent and Utilities | 17,500 | 18,500 | 18,466 | (34) |
| Equipment Maintenance | 5,000 | 6,950 | 7,176 | 226 |
| Insurance | 18,500 | 19,500 | 19,294 | (206) |
| New Station | 0 | 351,439 | 335,118 | (16,321) |
| Major Equipment | 6,500 | 177,673 | 199,161 | 21,488 |
| Minor Equipment | 2,500 | 2,100 | 2,003 | (97) |
| Training | 2,000 | 3,600 | 3,748 | 148 |
| Professional Fees | 1,000 | 1,000 | 525 | (475) |
| Miscellaneous | 3,500 | 3,250 | 4,137 | 887 |

ADDISON FIRE BOARD
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2005

| | Original Budget | Amended Budget | Actual | Actual Over (Under) Amended Budget |
|---------------------------------|--------------------|---------------------|---------------------|---|
| Ambulance: | | | | |
| Wages | \$ 245,080 | \$ 267,080 | \$ 261,176 | \$ (5,904) |
| Payroll Taxes | 25,000 | 20,500 | 20,026 | (474) |
| Retirement | 9,100 | 11,750 | 11,584 | (166) |
| Contract Labor | 9,000 | 11,550 | 11,708 | 158 |
| Operating Supplies | 4,750 | 3,250 | 3,173 | (77) |
| Office Supplies | 2,500 | 3,700 | 3,686 | (14) |
| Vehicle Expense | 2,500 | 6,200 | 5,863 | (337) |
| Billing Service | 3,500 | 5,275 | 5,236 | (39) |
| Rent and Utilities | 15,200 | 15,200 | 14,983 | (217) |
| Equipment Maintenance | 3,500 | 8,025 | 8,025 | 0 |
| Insurance | 17,000 | 23,500 | 23,427 | (73) |
| Major Equipment | 11,500 | 8,000 | 0 | (8,000) |
| Minor Equipment | 1,750 | 750 | 598 | (152) |
| Training | 3,000 | 1,000 | 640 | (360) |
| Professional Fees | 1,500 | 6,650 | 525 | (6,125) |
| Uniforms | 2,000 | 1,500 | 1,302 | (198) |
| Miscellaneous | 1,500 | 2,800 | 2,749 | (51) |
| Debt Service: | | | | |
| Fire Truck Loan Payments | <u>48,000</u> | <u>49,000</u> | <u>48,934</u> | <u>(66)</u> |
| Total Charges to Appropriations | <u>\$ 558,080</u> | <u>\$ 1,121,667</u> | <u>\$ 1,102,347</u> | <u>\$ (19,320)</u> |
| End of Year Fund Balance | <u>\$ 670,837</u> | <u>\$ 107,250</u> | <u>\$ 503,180</u> | <u>\$ 395,930</u> |

The accompanying notes are an integral part of this statement.

ADDISON FIRE BOARD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2005

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the Board incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

| <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------|---------------|---------------|-----------------|
| Fire - Retirement | \$ 3,700 | \$ 3,895 | \$ 195 |
| Fire - Office Supplies | 3,550 | 3,605 | 55 |
| Fire - Equipment Maintenance | 6,950 | 7,176 | 226 |
| Fire - Major Equipment | 177,673 | 199,161 | 21,488 |
| Fire - Training | 3,600 | 3,748 | 148 |
| Fire - Miscellaneous | 3,250 | 4,137 | 887 |
| Ambulance - Contract Labor | 11,550 | 11,708 | 158 |

All other expenditures within the general fund were within budgeted appropriations.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 215
JONESVILLE, MI 49250

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September 28, 2005

Addison Fire Board
Addison, Michigan

In connection with our audit of the Addison Fire Board for the year ended March 31, 2005, we would like to make the following comments and recommendations:

1. As noted in the last audit, the Internal Revenue Service requires issuance of Form 1099 to individuals who receive payments for personal services in excess of \$600 in a calendar year. There were instances once again in calendar year 2004 where contractors received payments in excess of \$600 for work on the new fire station, but Forms 1099 were not issued. We recommend that Forms 1099 be issued whenever required by governmental regulations.
2. There were a few accounts that had expenditures in excess of budgeted amounts, which is a violation of State budgeting laws. Although most of the variances were not very large, we do recommend that all budgets be reviewed and amended as necessary to prevent over-expenditure in any line item.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Company, P.C.